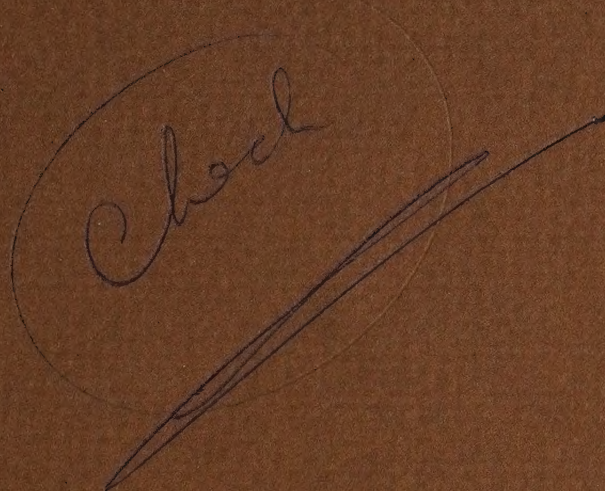


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Harvey's Foods Limited | Annual Report
For the year ending March 31st, 1968

Harvey's Foods Limited

HEAD OFFICE

238 Bloor Street West,
Toronto 5, Ontario

BANKERS

The Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company,
Toronto & Montreal

AUDITORS

McDonald, Currie & Co.
Chartered Accountants

LISTED

Toronto Stock Exchange

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DIRECTORS

***Richard Charles Wilfred Mauran**

President, Swiss Chalet Bar B.Q. Limited
Chairman, Grissol Foods Limited

***George Bernard Sukornyk, Q.C.**

Barrister and Solicitor
Secretary, Swiss Chalet Bar B.Q. Limited
Secretary, Grissol Foods Limited

Donald Colin Webster

President, Neptune Terminals Limited
Vice-President, General Impact Extrusions (Mfg.) Ltd.
Director, Seaway Terminals Ltd.

Yves-Charles Hudon

President, Grissol Foods Limited

David Stewart Owen

Real Estate Consultant
formerly Managing Director, Eaton Centre Limited

Robert George McCulloch

Executive Vice-President, Midland-Osler Securities Limited

Marc André Boisclair

President, Trans Quebec Funds Inc.
President, Labrador Acceptance Corporation Limited

***William Austin Stewart**

Vice-President, Midland-Osler Securities Limited

William Preston Ross

Barrister and Solicitor
formerly Chairman Toronto Board of Education

*Members of the Executive Committee

EXECUTIVE OFFICERS

Richard Charles Wilfred Mauran

Chairman of the Board

George Bernard Sukornyk, Q.C.

President

Donald Colin Webster

Vice-President

Edward John Kozak

Secretary

William George Schwalm

Treasurer and Comptroller

Jutta Gisela Steinmeister

Assistant Treasurer





Rear Row
left to right

Joseph Leilich
Swiss Chalet
Supervisor

Robert Standing
General Manager
Swiss Chalet
Bar B. Q. Inc.

Paul McEwan
Ontario Supervisor

M. Bernard Syron, LL.B.
Barrister and Solicitor
Legal Department

Tom Riglar
Quebec
Supervisor

Wesley Tegart
Ontario
Supervisor

Richard Field
Operations
Supervisor

Michael Maruska
Quebec
Supervisor

Middle Row
left to right

William G. Schwalm
Treasurer-Comptroller

Jutta G. Steinmeister
Assistant Treasurer

Edward J. Kozak
Secretary

Front Row
left to right

George B. Sukornyk, Q. C.
President

Richard C. W. Mauran
Chairman



**Semi-Annual Conference of Operators
held in Quebec City, August 6, 7 and 8, 1968.**

President's Report

On behalf of the Board of Directors, I am pleased to present the Annual Report of your company for the year ended March 31, 1968. In previous reports detailed information was provided to explain the operations of Harvey's, particularly the method of franchising and leasing, the training of operators, our products and how they are prepared and served. We felt that it was important to describe our operations to the many new shareholders in Canada who were not totally familiar with our restaurants. This year's report shows the results of nine years growth and why your company is the most successful restaurant franchising company in Canada.

The acquisition of Swiss Chalet Bar B.Q., Chalet Farms Limited and subsequent to the year end, the purchase of Swiss Chalet Bar B.Q. Inc. and Richco Properties Inc., added seven operating restaurants and an integrated poultry supply system. The purchase and creation of this division, the franchising of four of the Swiss Chalet restaurants and the financial results turned out as anticipated. In fact the personalized attention now given by our franchisees is attributable to improved service and significant sales increases.

Detailed marketing studies which the company began in 1961 have continued, exploring possible sites in those cities capable of supporting a Harvey's or Swiss Chalet restaurant. These feasibility studies encompass every aspect of the economy from population growth and competition to present and future road patterns. In order to plan our growth not only for 1969 but for the next five years, our investigations of necessity took us to every major city in Canada, the eastern United States (particularly New York State) and Western Germany. These preparations have given us the advantage of being able to move into any given city when property is offered without the many months involved in choosing a suitable marketing area. Even so, it still requires a minimum of six months from the date an offer to purchase or lease is submitted to the date of opening a location.

At the year end a total of 45 locations were in operation with 23 Harvey's and 3 new Swiss Chalet locations planned for the ensuing year. Of the 23 proposed Harvey's locations, 11 have been completed, franchised and are now in operation. Three additional Swiss Chalet locations are planned for Toronto, London, Ontario and Winnipeg, Manitoba.

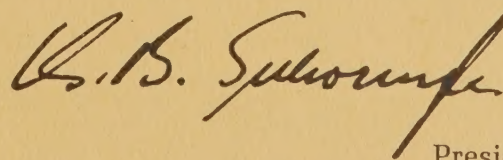
Offers to purchase have been submitted and it is hoped that construction will soon commence. Swiss Chalet Bar B.Q. Inc. and Richco Properties Inc. (purchased after the year end) operate two Swiss Chalet restaurants in Buffalo, New York with land holdings in downtown Buffalo in which one of the restaurants is located. Additional revenue is also derived from such non-affiliated tenants as a movie theatre and several stores. The purchase of these companies was also significant in that it also included the use of the Swiss Chalet name throughout the United States. Mr. Robert Standing, a director and general manager of both companies for the past 9 years will continue to be in charge of the United States operations. In view of our expansion programme in the United States the downtown Swiss Chalet restaurant and the Harvey's restaurant (located on adjacent company owned property) will both be operated as head office locations for training purposes. This will be similar to the Harvey's and Swiss Chalet restaurants owned and operated by the company at its Toronto head office.

An office was also established in Montreal to service our Quebec and Eastern Canadian locations.

This year was also a financial success. Gross income increased from \$1,022,615 to \$4,846,909 with net earnings increasing from \$272,215 to \$703,367. You will note on the balance sheet that the provision for losses on the collection and termination of franchise agreements reached \$584,574 which represents 30% of the chattel mortgages and notes receivable. The Board of Directors feel that in view of the size of the reserve in relation to the past history of the company, this reserve can now be reduced to 20%.

The prosperity and success of our company must of necessity rely on the contribution of many people — our operators and their employees, our national and local suppliers, our builders and equipment suppliers and our devoted head office staff. We wish to thank them.

Submitted on behalf of the Board
of Directors, Toronto August 19, 1968

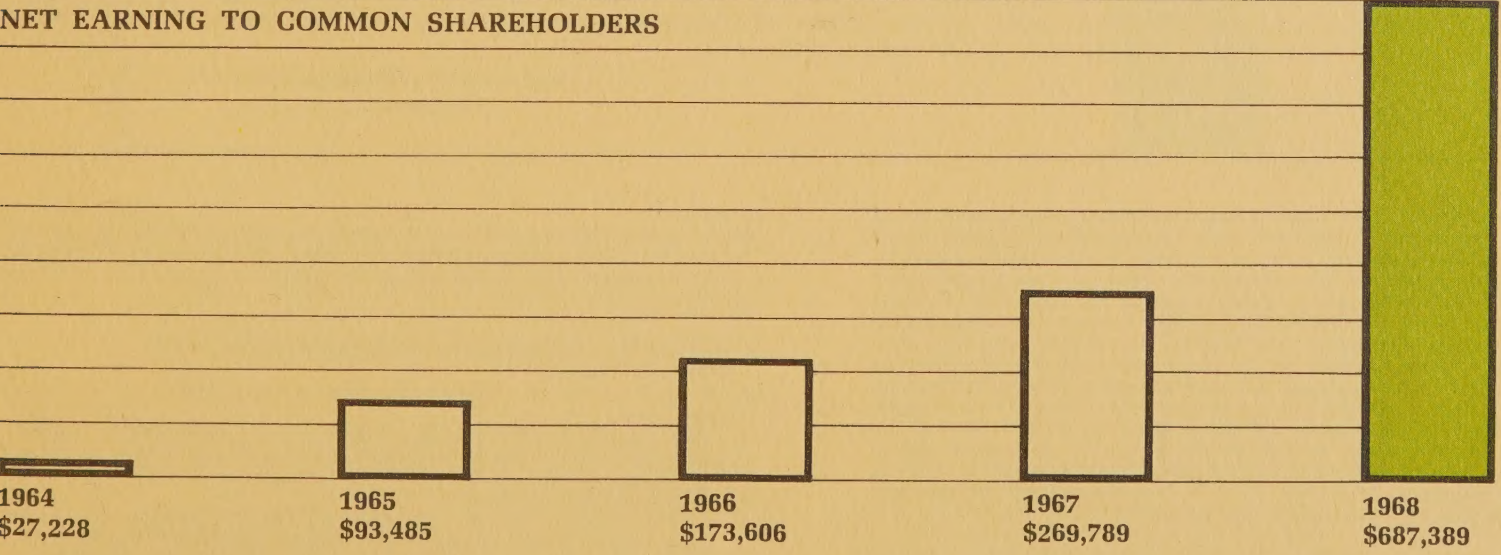
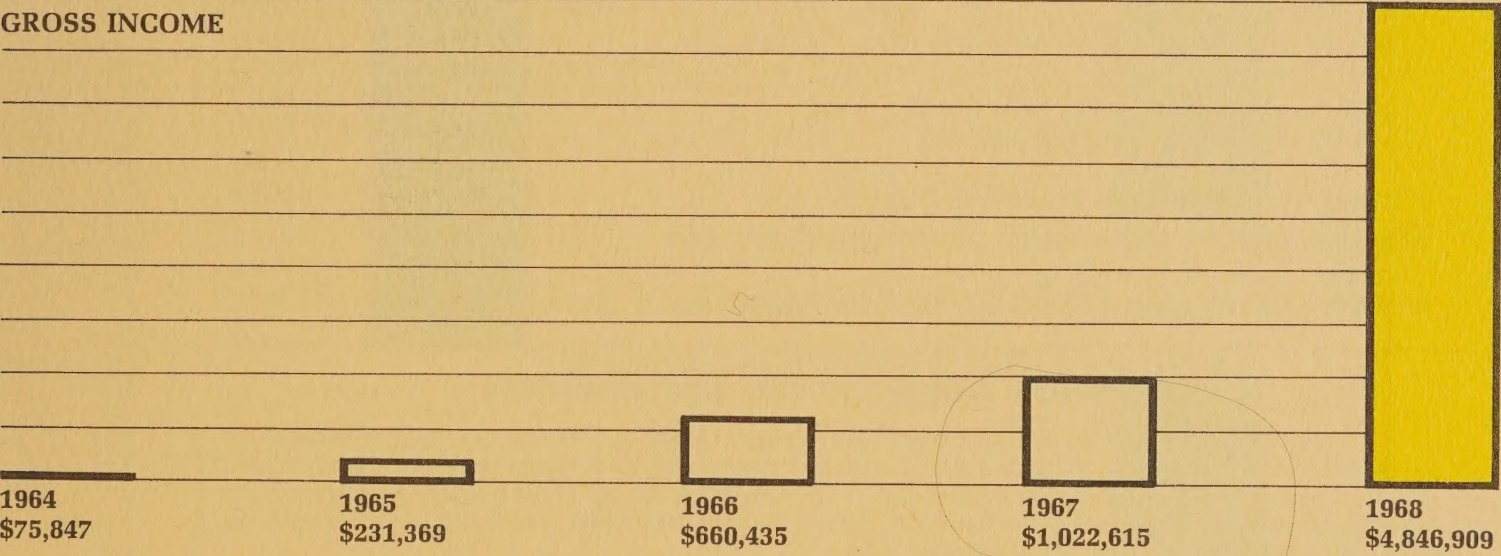
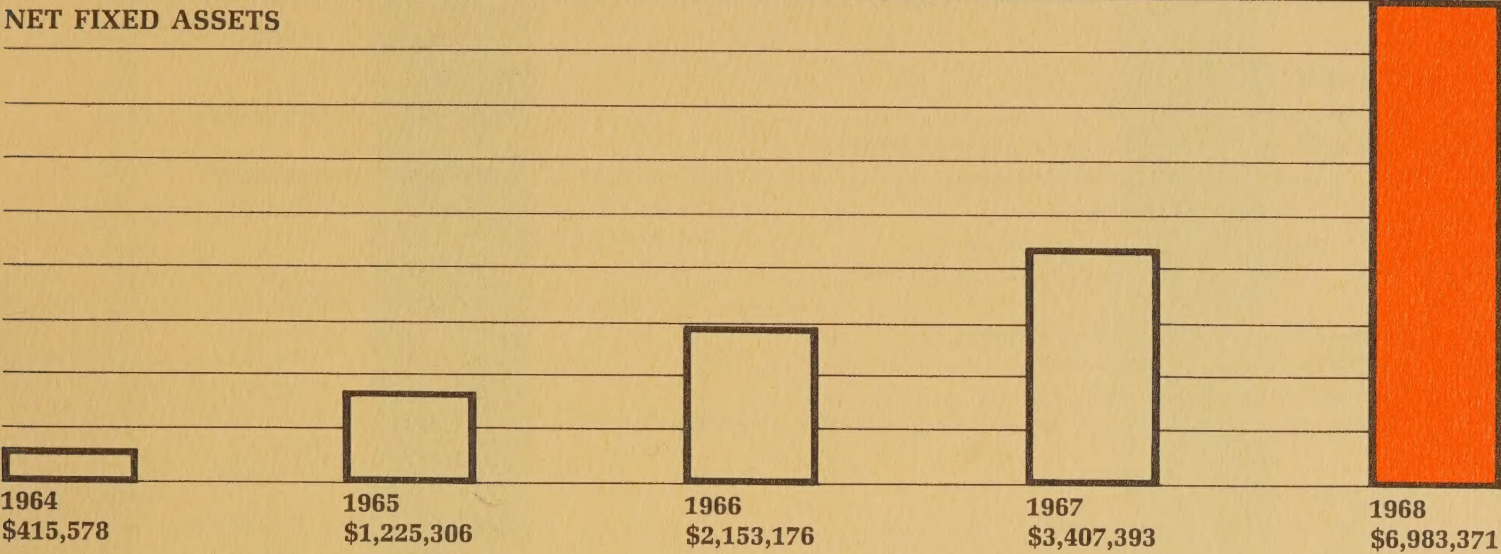


President

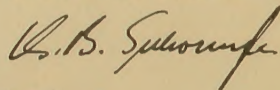
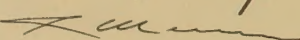
The Company's Growth . . .

	1964	1965	1966	1967	1968
Number of Locations	7	14	22	32	45
Net Fixed Assets	\$415,578	1,225,306	2,153,176	3,407,393	6,983,371
Gross Income	\$ 75,847	231,369	660,435	1,022,615	4,846,909
Net Income before Income Taxes	\$ 42,910	182,278	347,699	545,472	1,440,544
Net Earnings to common shareholders	\$ 27,228	93,485	173,606	269,789	687,389
Common Shares Outstanding	220,000	400,000	453,225	628,300	864,079
Earnings Per Common Share	\$.12	.23	.39	.43	.80
Common Shareholders' Equity	\$ 23,908	368,452	792,774	1,762,713	3,901,583
Return on Equity — Book	227%	208%	48%	34%	40%

Financially



Consolidated Balance Sheet
as at March 31, 1968

ASSETS		1968	1967	LIABILITIES		1968	1967
		\$	\$			\$	\$
CURRENT ASSETS				CURRENT LIABILITIES			
Cash		188,449	294,504	Bank loan		61,000	—
Due from associated company		—	10,098	Accounts payable and accrued charges		265,785	82,968
Accounts receivable		363,465	136,031	Income taxes payable		165,865	94,902
Chattel mortgages and notes receivable — current portion		231,941	87,612	Long-term liabilities — current portion		726,131	261,780
Prepaid expenses		48,758	10,924			1,218,781	439,650
		830,611	539,369	LONG-TERM LIABILITIES			
CHattel MORTGAGES AND NOTES RECEIVABLE (note 2)		1,964,868	734,927	Mortgages payable (note 4)		2,679,809	1,666,813
Less: Provision (note 2)		583,574	213,563	Due on equipment (note 5)		141,776	112,056
		1,380,294	521,364	7 1/8% sinking fund debentures, series A (note 6)		77,500	90,000
Less: Current portion		231,941	87,612	7 1/2% serial debentures, series C (note 7)		720,000	—
		1,148,353	433,552			3,619,085	1,868,869
FIXED ASSETS				Less: Current portion		726,131	261,780
Land — at cost		2,391,867	1,354,725			2,892,954	1,607,089
Buildings, parking lots and equipment — at cost				Buildings under construction (note 9)		13,595	50,856
Less accumulated depreciation (note 3)		4,415,396	1,941,724	7 1/2% convertible sinking fund debentures, series B (note 11)		—	300,000
Leasehold improvements — at cost						2,806,549	1,957,945
Less amortization		176,108	110,944			820,191	300,500
		6,983,371	3,407,393	SHAREHOLDERS' EQUITY			
OTHER ASSETS				CAPITAL STOCK (note 11)			
Financing expenses — at cost less amortization		169,336	122,194	Authorized —			
Trade mark — at cost less amount written off		60,000	—	50,000 first preference shares, with a par value of \$50 each, issuable in series			
Excess of cost of shares over book value of assets of subsidiary company acquired		165,833	—	10,400 non-voting convertible second preference shares with a par value of \$1 each			
		395,169	122,194	2,000,000 common shares without par value			
				Issued and fully paid —			
SIGNED ON BEHALF OF THE BOARD				4,170 preference shares		—	41,700
	Director			10,000 5 1/2% cumulative redeemable first preference shares, series A		500,000	—
	Director			10,400 second preference shares		10,400	—
				864,079 common shares (1967 — 628,500 common shares)		2,701,784	1,190,303
						3,212,184	1,232,003
				CONTRIBUTED SURPLUS		1,500	1,500
				RETAINED EARNINGS		1,198,299	570,910
						4,411,983	1,804,413
						9,357,504	4,502,508
		9,357,504	4,502,508				

Notes to
Consolidated Financial Statements
for the year ended March 31, 1968

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Chalet Farms Limited, all of whose shares were acquired on June 19, 1967. On the same date, the company acquired the net assets and business of Swiss Chalet Bar-B-Q Limited. The consolidated statement of earnings of the company for the year ended March 31, 1968 includes the operating results of both Chalet Farms Limited and the business of Swiss Chalet Bar-B-Q Limited from the date of acquisition.

2. CHATTEL MORTGAGES AND NOTES RECEIVABLE

(a) The chattel mortgages and notes receivable represent the balances due from franchise operators in respect of the purchase of franchise rights. These mortgages and notes are amortized over a 5 to 10 year period by monthly repayments of principal and interest at 7% and 8% per annum for the first 5 years from the effective date and 9% and 10% per annum for the balance of the term.

(b) A provision of 30% of the amount outstanding has been made to cover possible losses on collection and termination of franchise agreements.

3. FIXED ASSETS

(a) Buildings, equipment and accumulated depreciation thereon is made up of the following:

	1968		1967	
	Cost	Accumulated depreciation	Net	Net
Buildings	3,068,514	226,277	2,842,237	1,442,426
Parking lots	84,795	11,113	73,682	75,058
Equipment	1,730,949	237,472	1,499,477	424,240
	4,860,258	474,862	4,415,396	1,941,724
(b) The following rates of depreciation are used by the company:				
Buildings		5% reducing balance		
Parking lots		4% reducing balance		
Equipment		10%, 20% and 30% reducing balance		
Leasehold improvements		Straight line over term of lease		
4. MORTGAGES PAYABLE				
	Due within five years	Due between five and ten years	Due after ten years	Total
First mortgages	\$ 768,838	\$ 540,197	\$ 704,631	2,073,666
0% to 0.2% —				
Second mortgages	342,693	219,199	23,817	585,910
0% to 12% —				
Third mortgage	3,869	5,327	11,038	20,233
0 1/4% —				
	1,115,600	764,723	739,486	2,679,809

5. DUE ON EQUIPMENT

This amount is due to suppliers of equipment whose accounts are, by arrangement, payable monthly over varying periods of up to three years. Interest is charged on certain accounts at rates varying from 6 to 8% per annum which is added to the principal amount. Some of these accounts are secured by conditional sales contracts.

6. 7 1/8% SINKING FUND DEBENTURES, SERIES A

These debentures mature on April 15, 1974, and are redeemable at the principal amount thereof plus a premium of 8% on or before April 15, 1968 and thereafter the said premium reduces by 1% for each year commenced or elapsed after April 15, 1968.

By the terms of the Debenture Trust Deed the company is required to establish a sinking fund sufficient to retire \$10,000 principal annually on April 15, 1968 to 1973 both inclusive. \$12,500 principal amount of the debentures have been purchased and applied towards the April 15, 1968 and 1969 payments.

By the terms of a supplement to the Debenture Trust Deed dated June 16, 1967, the interest rate was increased to 7 1/2% from 7%.

7. 7 1/4% SERIAL DEBENTURES, SERIES C

These debentures mature serially at the rate of \$20,000 on the last day of each month and are redeemable at par at the company's option on the last day of any month without prior notice. The original principal amount was \$900,000 and redemptions have been made monthly since July 31, 1967.

8. 8 1/4% CONVERTIBLE DEBENTURES, SERIES D

Subsequent to March 31, 1968, the company issued 8 1/4% convertible debentures, series D dated June 1, 1968, in the principal amount of \$255,000 to mature on May 31, 1978 and redeemable at par prior to that date. For the purposes of conversion 15,000 common shares have been reserved.

9. BUILDINGS UNDER CONSTRUCTION

(a) It is the company's practice to obtain long-term mortgages on buildings after completion, and for this reason the amounts owing of \$15,595 in this respect are classified under long-term liabilities.

(b) At March 31, 1968, the company is further committed under construction contracts to the extent of approximately \$159,000.

10. DEFERRED INCOME TAXES

Deferred income taxes arise from (a) claiming depreciation and amortization for income tax purposes in excess of that recorded in the accounts of the company, and (b) taking into income the total profit on the sale of franchisees in the year in which sold, whereas for income tax purposes these profits are computed as cash is received in settlement. The effect of the above is to reduce the income taxes payable in respect of the year by \$506,243 which together with similar amounts arising in earlier years amount in total to \$820,191. These taxes are applicable to future years when income for tax purposes is more than that recorded in the accounts.

Foods Limited

ary Companies

Consolidated Statement of Earnings (note 1)

For the year ended March 31, 1968

Consolidated Statement of Source and Use of Funds

For the year ended March 31, 1968

	1968 \$	1967 \$
GROSS INCOME	4,846,909	1,022,615
EARNINGS — before charging the following	2,350,461	873,284
Provision for losses on collection and termination of franchise agreements	371,011	75,138
Depreciation	283,784	98,932
Amortization of financing expenses	27,419	14,758
Interest	235,703	138,984
	917,917	327,812
NET EARNINGS BEFORE INCOME TAXES	1,430,544	545,472
PROVISION FOR INCOME TAXES		
Current	228,334	148,500
Deferred	508,243	124,757
	737,177	273,257
NET EARNINGS FOR THE YEAR	703,367	272,215
Earnings per common share (based on number of shares outstanding at the year end)80¢	.43¢

Consolidated Statement of Retained Earnings

For the year ended March 31, 1968

	1968 \$	1967 \$
BALANCE — Beginning of year	570,910	301,121
Net earnings for the year	703,367	272,215
	1,274,277	573,336
Amount written off — Swiss Chalet trade mark	60,000	—
Dividends paid on preference shares	15,978	2,426
	75,978	2,426
BALANCE — End of year	1,198,299	570,910

SOURCE OF FUNDS

	1968 \$	1967 \$
Net earnings for the year	703,367	272,215
Add: Charges not requiring an outlay of funds —		
Depreciation and amortization	311,203	113,690
Deferred income taxes	508,243	124,757
Provision for losses on collection and termination of franchise agreements	371,011	75,138
	1,893,824	585,800
Proceeds from issue of first and second preference and common shares	2,021,881	700,150
Increase in long-term liabilities — net	948,604	713,409
Deferred income taxes — subsidiary company at date of acquisition	11,448	—
	4,875,757	1,999,359

USE OF FUNDS

	1968 \$	1967 \$
Additions to fixed assets — net	3,859,762	1,353,147
Increase in share and debt issue expenses	74,561	88,880
Redemption of preference shares	41,700	4,400
Dividends	15,978	2,426
Increase in mortgages and notes receivable	1,085,812	202,511
Trade mark	120,000	—
Excess of cost of shares over book value of assets acquired of subsidiary company	165,833	—
	5,363,646	1,651,364
INCREASE (DECREASE) IN WORKING CAPITAL	(487,889)	347,995
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	99,719	(248,276)
Increase (decrease) in working capital	(487,889)	347,995
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	(388,170)	99,719

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Harvey's Foods Limited and subsidiary companies as at March 31, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

June 12, 1968

McDONALD, CURRIE & CO.,
Chartered Accountants

11. CAPITAL STOCK

The company has obtained supplementary letters patent dated August 17, 1967 giving effect to an increase in authorized common shares from 1,000,000 to 2,000,000 shares; the authorization of 50,000 first preference shares with a par value of \$50 each, issuable in series, of which 10,000 are designated 5 1/2% cumulative redeemable first preference shares, series A; and the authorization of 10,400 non-voting convertible second preference shares with a par value of \$1 each and cancellation of the existing authorized 9,450 0% preference shares with a par value of \$10 each.

(a) During the year the following shares were issued:

- 160,878 common shares for cash of which \$2,435 shares were issued upon exercise of share purchase warrants in consideration of \$104,870 (\$2 per share), 500 shares were issued for \$2,500 (\$5 per share) under an employee's stock option plan and 107,644 were issued for \$1,104,111.
- 75,000 common shares upon conversion of \$300,000 7 1/2% convertible sinking fund debentures, series B.
- 10,000 5 1/2% cumulative redeemable first preference shares, series A with a par value of \$50 each as part of the consideration for the purchase of the assets of Swiss Chalet Bar-B-Q Limited.
- 10,400 non-voting convertible second preference shares with a par value of \$1 each as part of the consideration for the purchase of restaurant equipment of Swiss Chalet Bar-B-Q Limited. Dividend rights on these shares have been waived.

The following is additional information with regard to shares and warrants outstanding:

- Of the 100,000 share purchase warrants originally issued, 44,265 remained unexercised at March 31, 1968. These warrants entitle the holders thereof to purchase common shares at \$2 per share on or before April 15, 1969 or thereafter at \$4 per share on or before April 15, 1974.
- The 130,000 share purchase warrants, series 2 (1967) issued as part of the consideration for the purchase of the net assets of Swiss Chalet Bar-B-Q Limited and the shares of Chalet Farms Limited entitle the holders thereof to purchase common shares at \$7.50 per share on or before May 15, 1977.
- 5,000 common shares were reserved for issuance at a maximum of 500 shares per year upon exercise at \$5 per share of an employee's stock option which expires May 2, 1978. 500 were issued during the year and the balance of 4,500 shares are unissued.
- During the year 4,170 0% non-voting, non-cumulative preference shares of \$10 each were redeemed at par and cancelled.
- The 8 1/2% cumulative redeemable first preference shares series A are redeemable at \$22.50 per share if such redemption takes place on or before January 1, 1972 and thereafter at a price declining 50% annually to par if redemption takes place after January 1, 1970. On or before the last days of April and October in each year commencing with the year 1972, the company shall set aside out of the net profits after income taxes and all other charges of the preceding fiscal year as a sinking fund for the redemption of series A first preference shares the sum of \$50,000, or if such profits be less than \$100,000, then an amount equal to half of such profits.

- The 10,400 non-voting convertible second preference shares have a par value of \$1. Dividends thereon have been waived. When the consolidated net earnings of the company before income taxes and additional compensation in any year exceed the datum level set out below, 1 second preference share will be convertible into 25 common shares for each \$100 of excess earnings. Such conversion may only take place between June 30 and December 31, following the completion of the fiscal year in which the conversion privilege was earned, provided that no more than 2,000 second preference shares may be converted in any one period. Any exercisable conversion rights will be carried forward into subsequent years. The conversion rights will be adjusted in the case of any stock splits, stock dividends or the issue of any common shares for less than \$7.50, other than common shares issued on the exercise of any outstanding share purchase warrants or stock option plan existing as at August 17, 1967. The datum level has been exceeded in the year ended March 31, 1968 by approximately \$587,000.

The datum level is set out below for the respective fiscal years ending March 31,

1968	1969	1970	1971	1972	1973
\$	\$	\$	\$	\$	\$
800,000	1,100,000	1,300,000	1,500,000	1,700,000	1,900,000

After 1973, the datum level remains at \$1,900,000.

12. LEASES

The company holds leases of 7 to 25 years' duration on thirteen properties at a net annual rental of approximately \$110,000, each of which is sublet to a franchise operator. The company has the option to purchase seven of these properties.

13. ACQUISITION OF SUBSIDIARY COMPANIES SUBSEQUENT TO MARCH 31, 1968

- On April 4, 1968 the company purchased a 100% interest in the following companies:
 - Swiss Chalet Bar-B-Q Inc. at a purchase price of \$855,000 for which the company paid to the vendors \$272,000 in cash and issued 10,000 share purchase warrants, series 3 (1968) for \$58,000 and 37,000 common shares for \$518,000 (\$14 per share).
 - Richco Properties Inc. at a purchase price of \$242,500 for which the company issued to the vendors 15,000 common shares for \$210,000 (\$14 per share) and 5,000 share purchase warrants, series 3 (1968) for \$32,500.
- The 15,000 share purchase warrants, series 3 (1968) referred to above entitle the holders thereof to purchase common shares at \$7.50 per share on or before May 15, 1977.

14. STATUTORY INFORMATION

Remuneration of directors and senior officers amounted to \$142,838 (1967 — \$55,122).



ONTARIO

Guelph

*12 Gordon St.

Hamilton

1014 Barton St. E.

1655 Main St. W.

34 King St. W.

Kingston

*890 Princess St.

London

158 Wharncliffe Rd. S.

Niagara Falls

2839 Lundy's Lane

Ottawa

797 Richmond Rd.

1339 Bank St.

660 Montreal Rd.

336 Rideau St.

Port Credit

650 Lakeshore Rd. E.

Richvale

9471 Yonge St.

St. Catharines

347 Ontario St.

Stoney Creek

724 Queenston Rd.

Toronto

805 The Queensway

3128 Eglinton Ave. E.

1791 Avenue Rd.

238 Bloor St. W.

3520 Danforth Ave.

3120 Dufferin St.

2029 Jane St.

778 Yonge St.

23 Adelaide St. W.

228 Queen St. W.

1500 St. Clair Ave. W.

1440 Yonge St.

278 Jarvis St.

Waterloo

410 King St.

Windsor

*2380 Wyandotte St. West

QUEBEC

Brossard

2330 Lapiniere

Hull

541 St. Joseph Blvd.

Laval

470 Cure Labelle

La Salle

9000 Airline

441 Lafleur

Longueuil

388 Chambly Rd.

Montreal

7100 Sherbrooke St. E.

8725 Pie IX Blvd.

1853 St. Catherine St. W.

6775 Cote des Neiges Blvd.

7505 Lacordaire

1337 Henri Bourassa

900 Mont Royal Ave. E.

3585 Masson St.

3530 St. Catherine St. E.

6966 St. Jacques W.

Quebec City

3090 St. Anne Blvd.

Repentigny

23 Notre Dame E.

Rosemere

170 Labelle Blvd.

St. Eustache

101 Sauvé Blvd.

St. Helene de Bagot

Trans Canada Highway #20

Three Rivers

5725 Blvd. Royal

Vimont

1325 Laurentide Blvd.

NEW YORK STATE

Buffalo

639 Main St.

*Under Construction

(1)

Pure beef being prepared to company specifications at F. G. Bradley's federally inspected plant in Toronto.

(2)

Hamburger patties being produced and instantly flash frozen to 60 degrees below zero.

(3)

Packing of hamburger patties for immediate delivery to Harvey's locations.

(4)

Harvey's specially prepared hot dog, charcoal broiled in a freshly toasted bun, garnished with mustard and relish.

(5)

A Harvey's hamburger, charcoal broiled and garnished with onions, dill pickles, tomatoes, relish and mustard in a freshly toasted bun.

(6)

Typical Harvey's products: Charcoal broiled hamburger, hot dog, french fries and juicy orange drink.

(7)

A take-out container of Harvey's crispy golden brown french fries prepared fresh daily at each location.

(8)

Creamy chocolate milk shake prepared to Harvey's exclusive formula.

(9)

Our first Fina-Harvey's location built to company specifications by Canadian Petrofina Limited, located at St. Helene on the Trans-Canada Highway 40 miles east of Montreal. Both units are operated by a Harvey's franchisee.





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[1]

Chalet Farms Limited trucks loading fresh chickens at our federally inspected company plant in Port Perry, Ontario, for daily delivery to Swiss Chalet Restaurants and other users.

[2]

Government inspector approving chickens on production line.

[3]

Our exclusively grown and selected chickens being packed for shipment.

[4]

A Swiss Chalet charcoal broiled chicken dinner as served to our customers.

[5]

View of Swiss Chalet dining room.

[6]

View of our company designed modern kitchen serving areas.

[7]

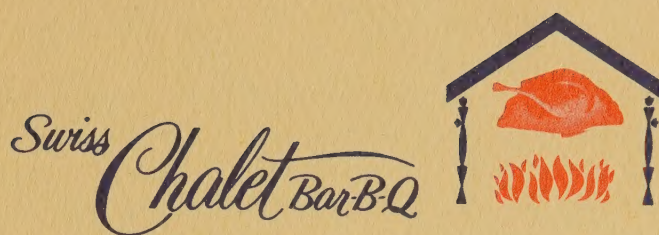
Spits of chickens being charcoal broiled.

[8]

View of kitchen area showing chickens being prepared for cooking.

[9]

Swiss Chalet identification sign.



Locations

ONTARIO

Toronto

234 Bloor St. W.

1415 Yonge St.

362 Yonge St.

2990 Eglinton Ave. E.

Hamilton

735 Queenston Rd.

NEW YORK STATE

Buffalo

643 Main St.

Tonawanda

1551 Niagara Falls Blvd.

The Future

Canadians today are enjoying more prosperity and leisure time than ever before. To keep pace with this moving public we must continue to provide high quality meals to satisfy the tastes and pocket books of as many people as possible at convenient locations that are clean and attractive. In order to share in this prosperity your company is engaged in the following areas of development which should add to future growth.

- For many years your company has been looking for a suitable dessert to be sold at Harvey's locations. In conjunction with Canada Bread Limited tentative approval was given in August for a dessert which will be tested on location early in 1969.

- Cheeseburgers were sold in test locations over a six month period with the result that all Harvey's locations are now selling this added product.

- This year your company entered into a lease agreement with Canadian Petrofina Limited to build a Fina-Harvey's location in accordance with Harvey's specifications. Both the restaurant and service station are presently being operated by a Harvey's franchisee. The concept of this venture was developed by Harvey's when it became apparent that the large volume of traffic generated by our drive-in locations would complement the service station business. Although this is a test location, the association with Fina made it possible to purchase several of their surplus locations in Toronto, Guelph, London and Windsor.

- The original concept of your company was to locate in larger communities having a population of at least fifty thousand. We have now successfully located in smaller communities. Our future expansion will include more of these new marketing areas.

- We have completed negotiations with a group of businessmen in Moncton, New Brunswick to franchise at least five locations in the Eastern Provinces. Land has already been purchased in Moncton and construction should commence in September. Additional locations are being investigated in Fredrickton and Halifax.

- We are planning to move into the Western Canadian market this year. An offer to purchase was entered into to purchase a key corner in downtown Winnipeg which will accommodate a Swiss Chalet and Harvey's restaurant.

- Swiss Chalet restaurant locations are being sought in the New York City and Rochester area. These will be constructed and put into operation in 1969 to fill current requests from four prospective franchisees.

- For the past two years our marketing studies included Western Germany. There are several reasons for choosing this area.

- (a) the flying distance to Frankfurt is only two hours longer than from Toronto to Vancouver.

- (b) the land area of Western Germany is about half that of Ontario whereas their population of 65 million is ten times greater.

- (c) several United States and British restaurant chains have already established branches.

- (d) land is still available for development.

- (e) West Germans are enjoying similar prosperity and leisure time.

- (f) Harvey's has personnel who speak German fluently and are capable of developing and supervising this operation.

- (g) many of our national suppliers have subsidiaries in Germany which will enable us to carry on the same basic type of restaurant operation as in Canada.

Preliminary steps have been taken to form Harvey's Foods G.m.b.H. a wholly owned subsidiary. This, together with the purchase of our first location near Frankfurt, should take place by October, 1968. It is expected that this test Harvey's location should be in operation by the spring of 1969.

- Subsequent to the year end an underwriting was completed by the company whereby 100,000 common shares were sold from the treasury to net \$2,290,000 thereby enabling the company to increase its expansion plans.

